

LEGISLATIVE RESEARCH COMMISSION

RAILROAD OPERATIONS



REPORT TO THE
1981 GENERAL ASSEMBLY
OF NORTH CAROLINA
1982 SESSION

LEGISLATIVE RESEARCH COMMISSION

RAILROAD OPERATIONS



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STATE OF NORTH CAROLINA
LEGISLATIVE RESEARCH COMMISSION
STATE LEGISLATIVE BUILDING
RALEIGH 27611



May 20, 1982

TO THE MEMBERS OF THE 1981 GENERAL ASSEMBLY
(1982 REGULAR SESSION)

The report, as amended, of the Legislative Research Commission's Committee on the State's Interest in Railroad Properties, made pursuant to Resolution 61, 1981 Session, is attached.

The Legislative Research Commission adopts, approves and recommends to the 1982 Regular Session of the General Assembly the recommendations of its Committee on the State's Interests in Railroad Properties contained in this report.

Respectfully submitted,


Liston B. Ramsey


W. Craig Loring

Co-Chairmen

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1981-83

LEGISLATIVE RESEARCH COMMISSION MEMBERSHIP

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PREFACE

The Legislative Research Commission, authorized by Article 6B of Chapter 120 of the General Statutes, is a general purpose study group. The Commission is cochaired by the Speaker of the House and the President Pro Tempore of the Senate and has ten additional members, five appointed from each house of the General Assembly. Among the Commission's duties is that of making or causing to be made, upon the direction of the General Assembly, "such studies of and investigation into governmental agencies and institutions and matters of public policy as will aid the General Assembly in performing its duties in the most effective manner" (G.S. 120-30.17(1)).

At the direction of the 1981 General Assembly, the Legislative Research Commission has undertaken studies of numerous subjects. These studies were grouped into broad categories and each member of the Commission was given the responsibility for one category of study. The cochairmen of the Legislative Research Commission, under the authority of General Statutes 120-30.10(b) and (c), appointed committees consisting of members of the General Assembly and the public to conduct the studies. Cochairmen, one from each house of the General Assembly, were designated for each committee.

The study of the State's interests in railroad properties was authorized by Resolution 61 of the 1981 Session Laws.

The Legislative Research Commission grouped this study in its state government area under the direction of Representative Jack Hunt. The cochairmen of the study committee established by the Research Commission are Senator Robert B. Jordan, III and Representative Jack Hunt. The full membership of the committee is listed in Appendix H of this

report. Resolution 61 authorizing the study and House Bill 1069, which the committee was authorized to consider in determining the scope of the study, are attached as Appendices G and F.

COMMITTEE PROCEEDINGS

The Legislative Research Commission's Committee to Study the State's Interests in Railroad Properties met three times. At its organizational meeting, the committee received a report on the history of the two railroads in which it has an interest, and discussed legal issues involved. The committee decided not to take up at this time the railway operated by the Ports Authority Commission.

At the second meeting, the committee received an oral report from Isabel Benham of Printon, Kane Research, Inc. of New York concerning valuation of the railroad properties. The committee also heard from Alice Garland-Swink of the North Carolina Department of Transportation concerning rail and truck traffic.

At the third meeting, the committee adopted proposed legislation to allow the study to proceed, an evaluation to be obtained, and negotiations to be entered into.

RECOMMENDATIONS

Since the North Carolina Railroad Act was passed by the General Assembly on January 27, 1849, the State has had a substantial investment in railroads. After a long period of dormancy, Chapter 716, Session Laws of 1975, directed the North Carolina Department of Transportation to study the North Carolina Railroad and the Atlantic and North Carolina Railroad.

That report was transmitted to the General Assembly on December 22, 1976. Legislation was introduced in the 1979 and 1981 Sessions of the General Assembly regarding a possible change in the State's ownership of the Railroad stock. (A summary history of the State's interest in the two railroads was prepared for this committee and is attached as Appendix "A".)

The committee learned from the Department of Revenue that the two railroads are currently assessed for ad valorem taxation of a sum in excess of \$58 million. Ms. Isabel Benham, President of Printon, Kane Research, Inc., appeared before the committee and testified that from a brief examination of financial records available to her, this figure was reasonable.

The committee is of the feeling that a return of approximately \$300,000 per year on an investment with a market value which might approach \$60 million is inadequate.

Several options exist, including sale of stock for cash, exchange of securities or renegotiation of operating leases, all of which can substantially increase income for the State.

The committee feels that before any serious negotiation can be undertaken, a competent and independent appraisal should be obtained. With this appraisal in hand, negotiations to improve the State's

position can begin. The committee wishes to see that minority stockholders receive the same benefits.

The results of the negotiation would be brought forward to the 1983 Session of the General Assembly for action, and to that end, the committee has one legislative proposal which is explained below and which appears as Appendix "B."

In addition, at Appendix "C" there appears current financial information on the State University Railroad Company, a line from Glenn (east of Hillsborough) to Chapel Hill, which is owned jointly by the Southern Railway and the North Carolina Railroad Company.

Appendix "D" is a letter from Ms. Benham concerning evaluation, while Appendix "E" is a letter from the People's Alliance Fund, Inc., concerning rail passenger service.

Several studies from the Department of Transportation have been presented to the committee, and they will be attached as appendices to the final report.

The proposed bill does several things:

- (1) It authorizes an independent expert evaluation of the State's interests in the two railroad companies.
- (2) It authorizes receipt of proposals to maximize the interests of all shareholders. This could include sale of stock or renegotiation of the leases. In any case, the commission is charged to also treat minority stockholders fairly.
- (3) It authorizes negotiations with a potential purchaser or leesee, but the boards of directors of the two railroads must be consulted prior to naming of negotiators.
- (4) It authorizes a report to the 1983 Session, with

proposed legislation.

(5) It authorizes the evaluation and negotiations to be confidential but all shareholders would be entitled to a copy of the evaluation.

(6) It authorizes executive sessions of the committee.

(7) It authorizes access to property tax records so that all information for an evaluation can be gathered that relates to the operations of the railroads by the two companies or the operations of the railroads.

(8) It expands a 1951 law which requires legislative approval of sale of North Carolina Railroad stock so that Atlantic and North Carolina Railroad stock would also be covered.

(9) It provides that, from July 1, 1982 to June 1, 1983, any action by the Governor and Council of State under G.S. 124-5 concerning the two railroads be reported to the Legislative Research Commission. Further, there would be a flat prohibition on extensions of the leases during that period.

(10) Expenses of up to \$200,000 can be paid out of dividend receipts.

HISTORY¹

North Carolina Railroad Company: The General Assembly of the State of North Carolina at its 1848-1849 session passed the "North Carolina Railroad Act" which was ratified on January 27, 1849. It included therein the charter for the North Carolina Railroad Company with a capitalization of three million dollars, of which two million dollars was to be subscribed by the State of North Carolina and one million dollars by private investors. The monies represented stock at a par value of one hundred dollars per share, or 30,000 shares. The service area of the Railroad Company was defined as from Goldsboro westward to Charlotte.

The North Carolina Railroad Company was organized on July 11, 1850 at Salisbury, North Carolina, and John Motley Morehead of Greensboro was elected its first president. Subsequently, additional funds were needed and the General Assembly of 1854-1855 amended the charter to increase the State's interest by one million dollars. Construction on the railroad began in January, 1852, in two sections. Over six hundred acres of land was acquired in 1856 in Alamance County to build its workshops. The area was named Company Shops, North Carolina, but was later changed to Burlington, North Carolina. On January 20, 1856, the two sections of the road were joined near Greensboro. The next day, the first train passed over the complete line from Goldsboro to Charlotte. The railroad then had approximately 223 miles of main line right of way and track. (Moody's Transportation Manual, 1981, reports that total track mileage currently equals approximately 275 miles, with an additional 138 miles of sidings.)

¹Report on the North Carolina Railroad Company and Atlantic & North Carolina Railroad Company for the General Assembly of North Carolina, 1976, State of North Carolina Dept. of Transportation.

In 1871, the railroad was leased to the Richmond and Danville Railroad Company for a period of 30 years. By various acquisitions, Southern Railway Company acceded to the rights of the Richmond and Danville Railroad Company. Subsequently, the North Carolina Railroad Company entered into a 99-year lease agreement with the Southern Railway Company effective January 1, 1896. The annual fixed rental was \$266,000 for the first six years and \$286,000 per year thereafter. It was further agreed that Southern Railway Company would pay all taxes and assessments imposed upon leased property, the franchise or its income. The lease has an expiration date of December 31, 1994.

Commencing on January 1, 1969, the North Carolina Railroad Company entered into an additional lease agreement with the Southern Railway Company for a term of 99 years. The lease covered four parcels of land in Charlotte, North Carolina, at an annual rental of \$10,000 for the first three years, then \$90,000 until January 1, 2018. Later informal agreements brought about by the disposition of certain company properties reduced the annual rental to \$81,319 until January 1, 2018. After that date, the rental is to be equal to six percent of the present value of the land.

Total rental income to the North Carolina Railroad from Southern under the two leases equals \$367,319 per year.

The Atlantic and North Carolina Railroad Company:² The Atlantic and North Carolina Railroad Company was incorporated by the General Assembly of North Carolina, 1852 Session, with a capitalization of \$900,000. The bill was ratified on December 27, 1852, and the company was chartered on

²Report to the Stockholders, August 7, 1981, The Atlantic and North Carolina Railroad Company.

July 21, 1854. Its service area was to be from Morehead City westward to Goldsboro, connecting with the tracks of the North Carolina Railroad Company at that point. The 1854-1855 Session of the General Assembly amended the 1852 act to increase the Capital to \$1,600,000. This bill was ratified on February 12, 1855. The 1867 Session of the General Assembly further amended the 1852 act to increase the capitalization again, this time to \$1,800,000. This bill was ratified on March 2, 1867.

After the company was incorporated on July 21, 1854, Mr. John D. Whitford of New Bern was elected its first president. Work on the construction of the line began in March, 1855, and the first train ran from Goldsboro to Morehead City on June 7, 1858. Complete railroad operations were conducted by the Board of Directors until June 1, 1881, at which time the right of way and other operating assets were leased to the Midland Railroad Company. Midland later went into receivership on March 19, 1883.

Upon the receivership of Midland, all leased properties and equipment reverted to the Company, which managed the operations itself until August, 1904. At that time, the company leased the railroad and equipment to the Goldsboro, New Bern, and Morehead City Railroad Company, D/B/A Howland Improvement Company for a term of 93 years, effective September 1, 1904. In August, 1913, Norfolk and Southern Railroad took over the lease and commenced operation of the railroad. Norfolk and Southern Railroad Company's lease was cancelled by the Board of Directors of the Atlantic and North Carolina Railroad Company in 1935 due to financial difficulties of the Norfolk and Southern. Again, the Company's management assumed the operations. On August 20, 1939, the company entered into a lease agreement with

the Atlantic and East Carolina Railway Company for a term of 25 years. The lease was amended on August 19, 1954, to increase the term of the lease to expire on December 31, 1994; the same expiration date as that for the original lease of the North Carolina Railroad Company. The annual rental is a fixed amount of \$60,500 plus a variable amount based on operating revenues. The total rental amount for the year ended December 31, 1980, was \$155,947. The railroad has approximately 98 miles of main line right of way and 30 miles of siding. Southern Railway is the parent company of Atlantic and East Carolina Railway and owns 100 percent of its authorized and issued stock.

Present Description

The State of North Carolina owns common stock in two railroad companies -- the North Carolina Railroad Company and the Atlantic and North Carolina Railroad Company. Both are leased to the Southern Railway Company, the North Carolina Railroad directly and the Atlantic and North Carolina Railroad through the Atlantic and East Carolina Railroad Company, a wholly-owned subsidiary of Southern.

The North Carolina Railroad is vital to the Southern, being that part of its Washington-Atlanta-Birmingham-New Orleans main line which runs from Charlotte through Salisbury to Greensboro. From Greensboro, the North Carolina Railroad branches off from the mainline to bring the Southern Railway to Durham and Raleigh; then on through Selma to Goldsboro where it joins the Atlantic and North Carolina. The Atlantic and North Carolina runs from Goldsboro through New Bern to Morehead City. It intersects with the Norfolk Southern Railway Company, 100% owned by Southern, at New Bern, and

with the Camp Lejeune Railroad Company, also 100% Southern owned, at Havelock.

Of the two companies, the Atlantic and North Carolina is of lesser importance to Southern, but the railroad is vital to the State's port of Morehead City, being its only connection with the national railroad system. Competing with such ports as Baltimore, Norfolk, Charleston, Savannah and Jacksonville (all of which have excellent rail service), to say nothing of Wilmington, North Carolina, the success of Morehead City as a port may be said to coincide with the future of the Atlantic and North Carolina Railroad. It is not likely that any worthwhile tonnage, such as would move through a successful port, will be moved exclusively by motor carrier -- even if highway access to Morehead City were of interstate standards.

The State's present ownership is as follows:

	<u>Number of Shares</u>	<u>% of Total</u>
North Carolina RR Co.	30,002*	75.8%
Atlantic & North Carolina RR Co.	12,666	73.5%

*Two shares were donated to the State by an original investor.

Dividends have been paid to the State as follows in recent years:

<u>North Carolina RR Co.</u>	<u>Rate Per Share</u>	<u>Total Per Year</u>
(Year Ended May 31st)		
1980	\$18.00	\$540,036
1979	8.00	240,016
1878	8.00	240,016
1977	4.00	120,008
1974-76	8.00	240,016
1973	12.00	360,024
1972	7.00	210,014
1971	8.00	240,016
1970	7.00	210,014

<u>Atlantic & North Carolina RR Co.</u>	<u>Rate Per Share</u>	<u>Total</u>
(Year Ended December 31st)		
1980	\$ 8.50	\$107,661
1979	2.50	31,665
1978	2.00	25,332
1977	1.50	18,999
1976	1.50	18,999
1974-75	1.00	12,666
1973	4.00	50,664
1972	1.00	12,666
1971	1.50	18,999
1970	1.00	12,666

Points for Consideration

1. Appraisal

Research sources state that the Interstate Commerce Commission valued the property of the North Carolina Railroad as of 1916 at \$13,822,000, equivalent to \$345 per share of stock. A recent audit report carries the properties at \$5.2 million. A footnote comments that: "There are no detail records available on the original cost of these properties which were acquired in the previous century." Considering the industrial development and enhancement of the area over the years, there undoubtedly has been an unestimatable asset gain, and therefore a substantial per share value gain is evident.³

Since no known valuation exists, it seems reasonable that the value of the properties of each company should be ascertained professionally, in order for the State to make an informed decision concerning their future disposition.

2. Merger

Once a true value has been established, it may be wise to consider merging the two companies. Such a move would enhance the State's

³Investment Research No. 0-5 Revised, 1980, McDaniel Lewis & Co.

bargaining position for the disposition of the companies. Further, even if the properties are not disposed of, a single corporate structure to administer two net leases would appear to be a more efficient method.

3. Minority Stockholders

The State does not own either railroad; it is the major stockholder in the companies which own the railroads. There are other public stockholders in each company. The NCRR has outstanding 40,000 shares of capital stock, of which the State owns 30,002 shares. It recently liquidated a subsidiary, Hoke Real Estate Company, which held 412 shares, and distributed the proceeds in the form of dividends. Southern Railway's wholly-owned subsidiary, The National Investment Company, owns 708 shares and the public owns the remaining 8,878 shares.

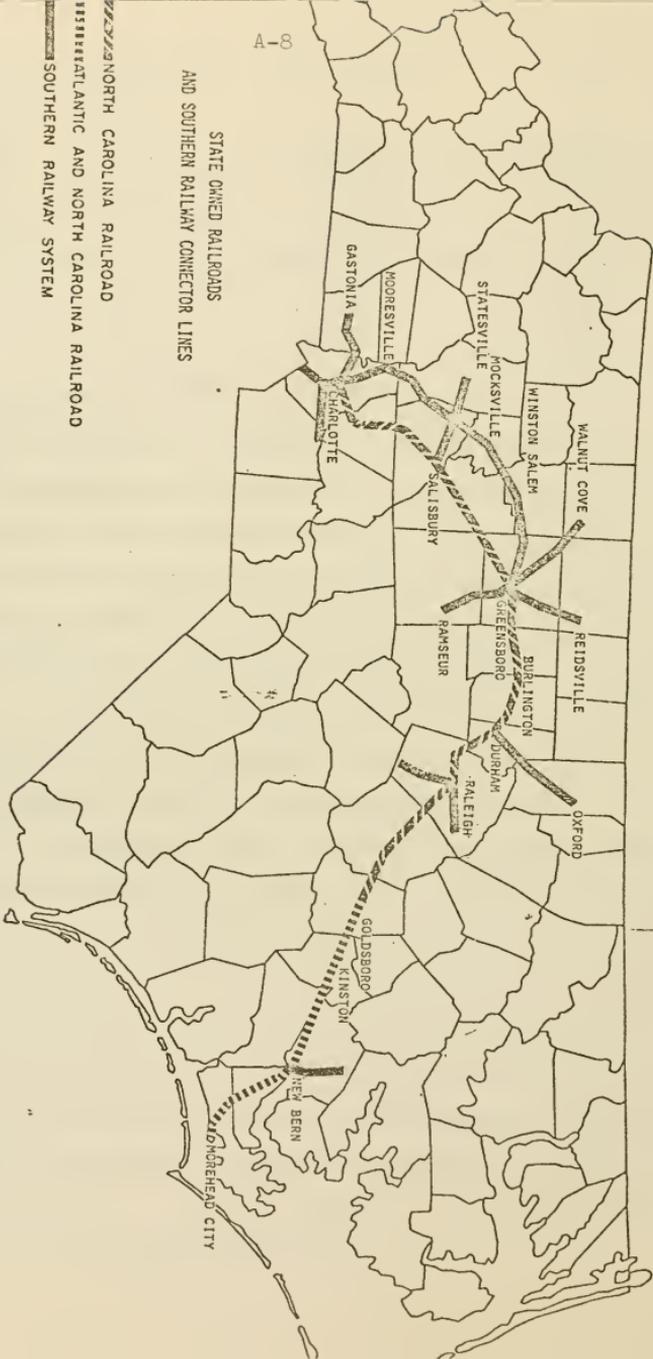
The A&NC has 17,237 shares outstanding (plus 735 shares of Treasury Stock). Of these, 12,666 are owned by the State; 2,605 are owned by Southern's wholly-owned subsidiary, Norfolk Southern; 1,300 are owned by Craven County; and the remaining 666 shares are held by the public.

4. Southern Railway's Alternatives

While the NCRR owns a portion of Southern's main line, it is certainly not the only route available to Southern between Charlotte and Greensboro. Further, although the A&NC Railroad is of lesser importance to Southern, it is vital to the hopes of Morehead City as a port and to eastern North Carolina in general (see map).

STATE OWNED RAILROADS
AND SOUTHERN RAILWAY CONNECTOR LINES

|||||NORTH CAROLINA RAILROAD
-----ATLANTIC AND NORTH CAROLINA RAILROAD
-----SOUTHERN RAILWAY SYSTEM



STATE OF NORTH CAROLINA

SESSION 19_____

INTRODUCED BY:

Referred to:

- 1 A BILL TO BE ENTITLED
- 2 AN ACT CONCERNING A STUDY ON THE STATE'S INTERESTS IN RAILROAD
- 3 PROPERTIES.
- 4 The General Assembly of North Carolina enacts:
- 5 Section 1. The Legislative Reserach Commission, in
- 6 its study of the state's interests in railroad companies and
- 7 railroad operations, as authorized in Section 2 of Resolution
- 8 61, Session Laws of 1981 is authorized to:
- 9 (1) Obtain an independent expert evaluation of the
- 10 state's interests in the North Carolina Railroad
- 11 Company and the Atlantic and North Carolina
- 12 Railroad Company;
- 13 (2) Receive proposals to maximize the benefits to
- 14 all stockholders of investments in these
- 15 railroad companies and carry on negotiations
- 16 toward those ends; such negotiations may be
- 17 carried on by such person or persons designated by
- 18 the commission (or its subcommittee) after consultation
- 19 with the boards of directors of the North Carolina
- 20 Railroad and the Atlantic and North Carolina
- 21 Railroad; and
- 22 (3) Report to the 1983 session of the General Assembly
- 23 on such evaluation, including, if any action is
- 24 recommended, any and all necessary legislation.

SESSION 19

1 Sec. 2. In carrying out Section 1 of this act, the
2 evaluation and the results of any negotiations may in the
3 discretion of the commission (or its subcommittee) be held in
4 confidence by the state, and its contents shall not be subject
5 to Chapter 132 of the General Statutes concerning records,
6 provided, however, that any stockholder of the North Carolina
7 Railroad or the Atlantic and North Carolina Railroad shall,
8 upon written request, be provided with a copy of the final
9 evaluation at a time and in the manner determined by the
10 commission or its subcommittee. Further, any discussion by
11 the commission (or its subcommittee) of the evaluation or
12 negotiations shall be a permitted purpose for an executive
13 session under G.S. 143-318.11.

14 Sec. 3. Notwithstanding the provisions of G.S. 105-259,
15 the commission (or its subcommittee, or staff, or the person
16 making the evaluation) shall have access to any return or
17 record filed under Article 23 of Chapter 105 of the General
18 Statutes or any return or record used by the Department of
19 Revenue in computing valuation under Article 23, concerning
20 property owned by the North Carolina Railroad Company or the
21 Atlantic and North Carolina Railroad Company, provided, however,
22 that such person obtaining access shall not divulge the contents
23 of such return or record and shall be subject to the penalties
24 of G.S. 105-259 if such record or return is divulged.

25 Sec. 4. Chapter 1046, Session Laws of 1951 is
26 amended by adding a new section to read:

27 "Sec. 1.1. No stock owned by the State of North Carolina
28 in the Atlantic and North Carolina Railroad Company shall be

SESSION 19 _____

1 sold except with the prior consent of the General Assembly."

2 Sec. 5. G.S. 124-5 is amended by adding at the
3 end thereof the following new sentence. "Prior to taking
4 any action under this section between July 1, 1982 and
5 June 1, 1983, concerning the Atlantic and North Carolina
6 Railroad or the North Carolina Railroad, the Governor and
7 Council of State shall give at least 20 days notice to the
8 Legislative Research Commission. No extension of any lease
9 to expire December 31, 1994 may be granted to the lessee or
10 the operating company of the railroad during that period."

11 Sec. 6. All costs of whatever nature incurred
12 pursuant to this act during fiscal year 1982-83, not to
13 exceed two hundred thousand dollars (\$200,000) shall be
14 paid from dividends received from the state's interests in
15 the North Carolina Railroad and the Atlantic and North Carolina
16 Railroad, provided, however, that if the amount of dividends
17 is insufficient, the balance required is appropriated from
18 the General Fund. Expenditures shall be paid by the State
19 Treasurer upon authorization by the Legislative Services Officer.

20 Sec. 7. This act is effective upon ratification.

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28

Southern Railway System

P.O. Box 1808
Washington, D.C. 20013

MILTON M. DAVENPORT
SECRETARY
MAHLON D. EDWARDS
ASSISTANT SECRETARY
ROBERT D. ALLEN
ASSISTANT SECRETARY

920 15TH STREET, N.W.
TEL: (202) 383-4276

November 16, 1981

Mr. Gerry Cohen
Staff Attorney
Legislative Service Office
Room 25
State Legislature Building
Raleigh, N. C. 27611

Dear Mr. Cohen:

At the request of Mr. Arnold B. McKinnon, Executive Vice President-Law and Finance, I enclose 12 copies of the 1980 Southern Railway Company annual report to stockholders.

I also enclose the financial statements for 1980 of State University Railroad Company, which are filed with that company's Registered Agent in North Carolina, as required by North Carolina statutes. As information, the capital stock of State University Railroad Company is owned 54.02% by Southern Railway Company, 16.08% by The North Carolina Railroad Company, and the remaining 29.9% by 33 other stockholders.

Very truly yours,



Cy to -
Mr. J. Wilbert Forbes

STATEMENT OF INCOME AND RETAINED INCOME

	<u>Years</u>	
	<u>1980</u>	<u>1979</u>
Railway operating revenues:		
Freight	\$104,586	\$103,439
Other	90	15,301
	<u>104,676</u>	<u>118,740</u>
Interest income	34,752	21,739
Other income	<u>9,407</u>	<u>8,613</u>
Total income	<u>148,835</u>	<u>149,092</u>
Railway operating expenses:		
Way and structures	<u>3,913</u>	<u>1,573</u>
Equipment -		
Time/mileage equipment rent	12,763	10,708
Other equipment rent	262	311
Other equipment expense	<u>259</u>	<u>307</u>
Total	<u>13,284</u>	<u>11,326</u>
Transportation	<u>6,900</u>	<u>2,848</u>
General and administrative		
State and local taxes (operating)	700	663
Other general and administrative	<u>50</u>	<u>46</u>
Total	<u>750</u>	<u>709</u>
Total operating expenses	24,847	16,456
Miscellaneous deductions	<u>-</u>	<u>1,300</u>
Total expenses	<u>24,847</u>	<u>17,756</u>
Income before income taxes	123,988	131,336
Federal and state income taxes:		
Current	<u>59,149</u>	<u>63,252</u>
NET INCOME FOR THE YEAR	\$ 64,839	\$ 68,084
Income retained beginning of year	<u>315,106</u>	<u>247,022</u>
Income retained end of year	<u>\$379,945</u>	<u>\$315,106</u>

Accounting Department
February 24, 1981

BALANCE SHEET

	December 31,	
	<u>1980</u>	<u>1979</u>
ASSETS		
Current assets:		
Cash and short-term securities	\$340,543	\$274,034
Amount receivable from Southern Railway Company	-	1,266
Accounts and other receivables	12,406	25
Other current assets	349	330
	<u>353,298</u>	<u>275,655</u>
Investment in Southern Railway Company	70,577	70,577
Other assets	28	28
Road, structures and equipment less accumulated depreciation:		
1980 - \$31,770 1979 - \$30,737	<u>73,474</u>	<u>74,507</u>
	<u>\$497,377</u>	<u>\$420,767</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Amount payable to Southern Railway Company	\$ 5,708	\$ -
Income taxes	80,424	73,767
Reserve for income taxes	-	594
	<u>86,132</u>	<u>74,361</u>
Shareholders' equity:		
Common stock, \$100 par value - 311 shares authorized and outstanding	31,100	31,100
Capital surplus	200	200
Income retained in the business	379,945	315,106
	<u>411,245</u>	<u>346,406</u>
	<u>\$497,377</u>	<u>\$420,767</u>

Accounting Department
February 24, 1981



Printon, Kane Research, Inc.

153 East 53rd St. • New York, N.Y. 10022 • (212) 355-9155

December 21, 1981

State of North Carolina
Department of State Treasurer
Investment and Banking Division
325 North Salisbury Street
Raleigh, North Carolina 27611

Re: Valuation of North Carolina
Railroad and Atlantic and
North Carolina Railroad

Att: Mr. Christopher S. Moore,
Deputy Treasurer, Director

Dear Mr. Moore:

In accordance with our telephone conversation of December 18th, I have enclosed summary statements of my experience as set forth in verified statements presented to the Interstate Commerce Commission in connection with valuation cases (Penn Central and the bankrupt Reading Company), merger cases and reorganization proceedings. Also, we have been retained by the investment division of the State of New Jersey for valuing their former rail holdings in Penn Central.

At the present time, it is difficult to give you a precise indication of the time and cost involved in making an evaluation of the North Carolina Railroad Company and the Atlantic and North Carolina Railroad Company. However, generally, we do not undertake a new project for a fee of less than \$30,000. On an hourly basis, our fee is \$150 plus reasonable out-of-pocket expenses - travel, printing, etc.

To determine the time involved to complete this study, it would be helpful to know if an oral report to your Finance Committee is expected, or a written report covering the justification for the valuation, or both. Assuming that your Committee approved retaining Printon, Kane Research to make this valuation on January 7th, I would allow about two-three weeks for making the study and preparing a written report after we have received the necessary statistical data and information on related matters.

To make a thorough valuation report, we would require more information than is obtainable in Moody's Transportation Manual for 1981. For example, we would like to have a detailed income account (revenues and expenses for the 5 years ending 1981); traffic density data (if possible); commodity mix; volume of originated, terminated and overhead traffic; principal industries located online; character of territory served, etc. . Also Moody's carries no record of dividends paid in 1981, but the record is complete for prior years. We

State of North Carolina

-2-

December 21, 1981

also should have a copy of the lease agreement with Southern Railway and the status of the lease assuming the merger with Norfolk and Western is consummated early in 1982.

Unless advised to the contrary, we assume you continue to own 30,002 shares of North Carolina Railroad and 12,666 shares of Atlantic and North Carolina as reported in Moody's Manual for December 31, 1980.

My partner, John Printon (formerly of R. W. Pressprich), wishes to be remembered to you. We are all pleased that the State of North Carolina is aware of our capabilities in the field of railroad valuations.

Best wishes for the Christmas Season.

Very truly yours,

PRINTON, KANE RESEARCH, INC.

By Isabel H. Benham
Isabel H. Benham
President

IHB:FL
Encls.3

THE PEOPLE'S ALLIANCE FUND, INC.

604 WEST CHAPEL HILL ST. / DURHAM, N.C. 27701 / (919)682-7777

May 10, 1982

MEMO TO: Study Committee on State's Interest in Railroad Properties
Representative Jack Hunt, Co-Chair
Senator Robert B. Jordan, III, Co-Chair

FROM: Doug Lowe, Director of Transportation Alternatives Project

Re: Preserving Options for Increased Passenger Rail Service

On behalf of the statewide membership of the People's Alliance family of organizations I respectfully ask that the Study Committee on the State's Interest in Railroad Properties take care to safeguard the potential for passenger train transportation which could be so readily increased because of the state's controlling interest in certain valuable right-of-ways.

Specifically, we ask you to insure that under the terms of any future sale or lease of railroad right-of-ways controlled by the state it will be clearly stipulated that passenger rail service must be allowed and given priority at least four times per day in both directions during daylight hours. Thus, should Amtrack (or the N.C. Department of Transportation, the Japanese, or whomever) desire to operate a high level of passenger train service within and through North Carolina our citizens will not be denied the benefits of such service due to any unwillingness which freight carrying railroad companies may have to share their leased or owned right-of-ways with passengers trains.

We also specifically ask that you insure that the income derived from any future sale or lease of railroad right-of-ways controlled by the state be put into a trust fund and used exclusively to finance passenger rail service improvements within North Carolina.

(CONTINUED)

5-10-82

Study Committee on State's Interest in Railroad Properties

Page 2

Lest our two specific requests appear to be based on fantasy, let me point out the following facts:

- (1) Nearly twelve other states now subsidize extra passenger train service between their major cities through Amtrack's 403(b) program which puts additional service on the rails where state's are willing to pay approximately 50% of the increased costs such service incurs;
- (2) Amtrack's current service between the cities of North Carolina is frequently sold out weeks in advance;
- (3) Current Amtrack service within North Carolina doesn't provide daylight hours connections between any of the state's major cities, nor does it provide any east-west travel options.
- (4) Japanese firms are currently negotiating with an eye towards operating high speed trains in at least three states.

In light of these facts and others which have come to our attention through the research conducted by our Transportation Alternatives Project (funded under grant from the Mary Reynolds Babcock Foundation in Winston-Salem) we feel it is only prudent that the Study Committee on the State's Interest in Railroad Properties insure: (a) that a greatly increased level of passenger service be permitted anytime in the future between the state's major population centers and tourist attractions regardless of whether the right-of-ways involved are owned or merely leased by freight railroad companies; and, (b) revenues derived from sale or lease of state controlled right-of-ways be earmarked for exclusive use in underwriting passenger rail service of benefit to the state's citizen commuters and other travelers.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1981

HOUSE BILL 1069
Second Edition Engrossed 6/5/81

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Short Title: State Railroad Study Comm.

(Public)

Sponsors: Representatives Jack Hunt, Ellis.

Referred to: Rules.

May 21, 1981

1 A BILL TO BE ENTITLED
2 AN ACT TO CREATE A STATE RAILROAD STUDY COMMISSION TO STUDY
3 RAILROAD OPERATIONS IN NORTH CAROLINA.
4 Whereas, the State of North Carolina owns over seventy
5 percent (70%) of the outstanding shares of stock in two private
6 railroad corporations, the North Carolina Railroad Company and
7 the Atlantic and North Carolina Railroad Company; and
8 Whereas, Chapter 124 of the General Statutes vests
9 management of the State's interests in railroads and other
10 internal improvements in the Governor and Council of State; and
11 Whereas, the North Carolina Ports Railway Commission and
12 possibly other departments of State government own or control
13 interests in railroad operations; and
14 Whereas, practically all property of the North Carolina
15 Railroad and the Atlantic and North Carolina Railroad are leased
16 to Southern Railway Company under long-term leases that expire
17 December 31, 1994; and
18 Whereas, the General Assembly has determined that it is
19 in the best interest of the State to have a comprehensive study
20 of the State's interests in railroad operations to assist the
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1 Governor and Council of State in their management responsibility;

2 Now, therefore,

3 The General Assembly of North Carolina enacts:

4 Section 1. There is created the State Railroad Study
5 Commission, consisting of the State Treasurer, two members to be
6 appointed by the Governor, one each from the Boards [H-or
7 officers] of the North Carolina Railroad Company and the Atlantic
8 and North Carolina Railroad Company, two members of the Senate to
9 be appointed by the Lieutenant Governor, and two members of the
10 House of Representatives to be appointed by the Speaker of the
11 House. The Attorney General or his designated representative
12 shall serve as an ex officio nonvoting member of the commission.
13 The members appointed by the Governor, Lieutenant Governor and
14 Speaker of the House shall serve at the pleasure of the
15 appointing officer.

16 Sec. 2. All appointments shall be made by September 1,
17 1981. The commission shall meet initially at the call of the
18 State Treasurer and shall elect a chairman from its membership.
19 The commission shall study the State's interests in railroad
20 companies and railroad operations and shall obtain an independent
21 expert evaluation of the State's interests in the North Carolina
22 Railroad Company, the Atlantic and North Carolina Railroad
23 Company, and all other railroad operations. This evaluation may,
24 in the discretion of the commission, be held in confidence by the
25 State, and its contents shall not be subject to Chapter 132 of
26 the General Statutes concerning public records.

27 Sec. 3. The commission shall submit a written report of
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1 its findings to the Speaker of the House and the Lieutenant
2 Governor on or before the date the 1983 Session of the General
3 Assembly convenes. This report shall contain recommendations for
4 retention and management of the State's interests or disposition
5 of all or any portion thereof. During the 1983 Session the
6 commission shall continue to render advice and assistance on
7 matters pertaining to the State's interests when requested to do
8 so by the Speaker of the House or the Lieutenant Governor.

9 Sec. 4. The commission may employ necessary
10 professional and clerical help. The commission may hold its
11 meetings in the State Legislative Building upon the approval of
12 the Legislative Research Commission.

13 Sec. 5. Members of the commission who are also members
14 of the General Assembly shall be paid subsistence and travel
15 expenses at the rate set forth in G.S. 120-3.1. Members of the
16 commission who are officials or employees of the State shall
17 receive travel allowances at the rate set forth in G.S. 138-6.
18 All other members of the commission shall be paid the per diem
19 and allowances at the rates set forth in G.S. 138-5.

20 Sec. 6. All costs of whatever nature incurred pursuant
21 to this act, not to exceed fifty thousand dollars (\$50,000),
22 shall be paid from dividends received from the State's interests.

23 Sec. 7. This act is effective upon ratification.
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GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1981
RATIFIED BILL

RESOLUTION 61

HOUSE JOINT RESOLUTION 1292

A JOINT RESOLUTION AUTHORIZING STUDIES BY THE LEGISLATIVE RESEARCH COMMISSION.

Be it resolved by the House of Representatives, the Senate concurring:

Section 1. The Legislative Research Commission may study the topics listed below. Listed with each topic is the 1981 bill or resolution that originally proposed the study and the name of the sponsor. The Commission may consider the original bill or resolution in determining the nature, scope and aspects of the study. The topics are:

- (1) Continuation of study of revenue laws (H.J.R. 15 -- Lilley).
- (2) Continuation of study on problems of aging (H.J.R. 48 -- Messer/S.J.R. 37 -- Gray).
- (3) Day care (H.J.R. 223 -- Brennan).
- (4) Civil rights compliance of non-State institutions receiving State funds (H.J.R. 344 -- Spaulding).
- (5) Social services and public assistance (H.B. 393 -- P. Hunt).
- (6) The need for new health occupational licensing boards (H.B. 477 -- Lancaster/S.B. 285 -- Jenkins).
- (7) Matters related to public education, including:

a. The feasibility of making the 12th grade optional in the public schools (H.J.R. 890 -- Tally).

b. Continue study of public school food service (H.J.R. 948 -- Brennan).

c. The teacher tenure law (S.J.R. 621 -- Royall).

d. Providing teachers with duty-free periods (S.J.R. 697 -- Speed).

e. Continuation of study regarding purchase of buses in lieu of contract transportation, and other school bus transportation matters (no 1981 resolution).

(8) Campaign financing and reporting (H.J.R. 975 -- D. Clark).

(9) State's interests in railroad companies and railroad operations (H.B. 1069 -- J. Hunt).

(10) Matters related to insurance, including:

a. Insurance regulation (H.B. 1071 as amended -- Seymour), including the feasibility of establishing within the Department of Insurance a risk and rate equity board.

b. How the State should cover risks of liability for personal injury and property damage (H.J.R. 1198 -- Seymour).

c. Credit insurance (H.J.R. 1328 -- Barnes).

(11) Matters related to public property, including:

a. Development of a policy on State office building construction (H.J.R. 1090 -- Nye).

b. The potential uses and benefits of arbitration to resolve disputes under State construction and procurement contracts (H.J.R. 1292 -- Adams).

c. The bonding requirements on small contractors bidding on governmental projects (H.J.R. 1301 -- Nye).

d. Continue study of the design, construction and inspection of public facilities (S.J.R. 143 -- Clarke).

e. Whether the leasing of State land should be by competitive bidding (S.J.R. 178 -- Swain).

(12) Allocation formula for State funding of public library systems (H.J.R. 1166 -- Burnley).

(13) Economic, social and legal problems and needs of women (H.R. 1238 -- Adams).

(14) Beverage container regulation (H.J.R. 1298 -- Diamond).

(15) Scientific and technical training equipment needs in institutions of higher education (H.J.R. 1314 -- Fulcher).

(16) Role of the State with respect to migrant farmworkers (H.J.R. 1315 -- Fulcher).

(17) Existing State and local programs for the inspection of milk and milk products (H.J.R. 1353 -- James).

(18) Laws authorizing towing, removing or storage of motor vehicles (H.J.R. 1360 -- Lancaster).

(19) Annexation laws (S.J.R. 4 -- Lawing).

(20) Laws concerning obscenity (House Committee Substitute for S.B. 295).

(21) The feasibility of consolidating the State computer systems (S.J.R. 349 -- Alford/H.J.R. 524 -- Plyler).

(22) Laws pertaining to the taxation of alcoholic beverages and the designation of revenues for alcoholism

education, rehabilitation and research (S.J.R. 497 -- Gray).

(23) Regional offices operated by State agencies (S.J.R. 519 -- Noble).

(24) Continue study of laws of evidence (S.J.R. 698 -- Barnes).

(25) Continue study of ownership of land in North Carolina by aliens and alien corporations (S.J.R. 714 -- White).

(26) Rules and regulations pertaining to the Coastal Area Management Act (S.J.R. 724 -- Daniels).

(27) Transfer of Forestry and Soil and Water from Department of Natural Resources and Community Development to Department of Agriculture (H.B. 1237 -- Taylor).

(28) Continue sports arena study (H.J.R. 1334 -- Barbee).

(29) State investment and maximum earning productivity of all public funds (H.J.R. 1375 -- Beard).

Sec. 2. For each of the topics the Legislative Research Commission decides to study, the Commission may report its findings, together with any recommended legislation, to the 1982 Session of the General Assembly or to the 1983 General Assembly, or the Commission may make an interim report to the 1982 Session and a final report to the 1983 General Assembly.

Sec. 3. The Legislative Research Commission or any study committee thereof, in the discharge of its study of insurance regulation under Section 1(10)a. of this act, may secure information and data under the provisions of G.S. 120-19. The powers contained in the provisions of G.S. 120-19.1 through

G.S. 120-19.4 shall apply to the proceedings of the Commission or any study committee thereof in the discharge of said study. The Commission or any study committee thereof, while in the discharge of said study, is authorized to hold executive sessions in accordance with G.S. 143-318.11(b) as though it were a committee of the General Assembly.

Sec. 4. This resolution is effective upon ratification.

In the General Assembly read three times and ratified, this the 10th day of July, 1981.

JAMES C. GREEN

James C. Green

President of the Senate

LISTON B. RAMSEY

Liston B. Ramsey

Speaker of the House of Representatives

STUDY COMMITTEE MEMBERS

STATE'S INTEREST IN RAILROAD PROPERTIES

REPRESENTATIVE JACK HUNT, COCHAIRMAN
Peachtree Road
Lattimore, North Carolina 28089

SENATOR ROBERT B. JORDAN, III, COCHAIRMAN
P. O. Box 98
Mt. Gilead, North Carolina 27306

Senator Julian R. Allsbrook
P. O. Drawer 40
Roanoke Rapids, North Carolina 27870

Mr. J. Fred Corriher, Jr.
P. O. Box 167
Landis, North Carolina 26088

Representative Thomas W. Ellis, Jr.
370 Forest Road
Henderson, North Carolina 27536

Representative Joe Mavretic
Box 1981
Tarboro, North Carolina 27886

Mr. Vernon Rochelle
131 S. Queen
Kinston, North Carolina 28501

Senator Charles E. Vickery
135 E. Rosemary Street
Chapel Hill, North Carolina 27514

